APPENDIX A

CASE NO. 98-00598SPK

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF HAWAII

SURFCO HAWAII,

Plaintiff/Counter-Defendant,

v.

FIN CONTROL SYSTEMS PTY, LTD.,

Defendant/Counterclaimant,

Filed: February 2, 2000

ORDER

The subject of this lawsuit is a surfboard, or more precisely, its fins. Defendant/Counterclaimant Fin Control Systems Pty, Ltd. ("FCS") holds three U.S. patents on a removable fin system for surfboards. The FCS Fin Control System allows surfers to remove, install, and arrange fins on their surfboards as they desire. Plaintiff/Counter-Defendant Surfco Hawaii ("Surfco") sells fins designed specifically for use with the FCS Fin Control System. Whether Surfco's sale of those fins is an infringement of FCS's patents is the central question in this litigation. For the reasons stated below, the Court answers in the affirmative.

I. FACTUAL BACKGROUND

FCS is the inventor of a removable fin system for surfboards, for which it holds three patents: U.S. Patent Nos. 5,328,397 ("the '397 patent"), 5,464,359 ("the '359 patent"),

and 5,672,081 ("the '081 patent"). Unlike conventional surfboards, surfboards fitted with the patented FCS Fin Control System ("FCS surfboards") have fins that are removable rather than integrally formed with the board. The FCS Fin Control System allows surfboard owners to replace worn or broken fins more easily, and to customize their boards with their desired type and arrangement of fins.

The FCS Fin Control System consists of a surfboard fitted with plugs, fins that are inserted into the plugs, and grub screws that secure the fins in place. The fins have two lateral surfaces, an end surface, and tabs that extend from the fin's end surface. The tabs, which are integrally formed with the fin, fit into the plugs on the surfboard.

The development of a removable fin system created a demand for replacement fins. While FCS offers its own fins for sale, its product is not the only one in the market. Surfco sells a competing product, namely the "Pro Teck" fin, which is adapted specifically for use with the FCS Fin Control System.

FCS charged Surfco with contributory infringement of the '397, '359, and '081 patents. In response, Surfco filed this declaratory action for noninfringement. FCS counterclaimed for inducement of infringement and contributory infringement of its three patents.

Before the Court are four sets of motions. First, Surfco has filed a motion for summary judgment of noninfringement based on the repair/reconstruction doctrine. FCS has filed a cross-motion for summary judgment that the repair doctrine does not shield Surfco from liability for patent infringement. Second, Surfco has filed a motion for claim interpretation pursuant to *Markman v. Westview Instruments, Inc.*, 52 F.3d 967 (Fed. Cir. 1995) (en banc), *aff'd*, 517 U.S. 370 (1996). Third, Surfco has moved for

summary judgment of noninfringement. FCS has filed a cross-motion for partial summary judgment of inducement of infringement and contributory infringement of the '397 and '359 patents. Fourth, Surfco has filed a motion for separation of trial pursuant to Rule 42(b) of the Federal Rules of Civil Procedure.

II. DISCUSSION

A. SUMMARY JUDGMENT STANDARD

Summary judgment is appropriate when the court finds "that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." Fed. R. Civ. P. 56(c). The moving party bears the burden of showing that there is no genuine issue of material fact. *See Carroll Touch, Inc. v. Electro Mechanical Sys., Inc.*, 3 F.3d 404, 413 (Fed. Cir. 1993). The court must resolve all doubts concerning whether issues of material fact exist in favor of the non-moving party. *See id.* at 413. The court must also draw all reasonable inferences in favor of the non-moving party. *See id.* However, the non-moving party cannot rest its argument on mere denials. It must present evidence sufficient for a trier of fact to find in its favor. *See id.*

B. THE REPAIR/RECONSTRUCTION DOCTRINE

Surfco moves for summary judgment of noninfringement of the '397, '359, and '081 patents on the ground that use of Pro Teck fins in FCS surfboards constitutes a permissible repair rather than an impermissible reconstruction. FCS also moves for summary judgment on this issue, contending that the repair doctrine is inapplicable in this case. If the repair doctrine is applicable here, Surfco cannot be liable for direct infringement of the patents, nor

can it be liable for indirect infringement. *See Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 345 (1961).

The repair doctrine permits the purchaser of a patented combination to replace or repair worn or broken unpatented parts of the combination. See id. at 345. However, the purchaser may not build the patented combination anew — in other words, reconstruction of the patented combination exceeds the implied authorization to use and sell the patented combination. *See Hewlett-Packard v. Repeat-O-Type Stencil Mfg. Corp., Inc.*, 123 F.3d 1445, 1451 (Fed. Cir. 1997). The distinction between repair and reconstruction is often difficult to determine. As noted by the Federal Circuit, "[T]here is no bright-line test for determining whether a modification is a "reconstruction" sufficient to infringe a patent owned by the seller of the product . . . ." *Id.* at 1452.

Of significance in this case is how the accused device is used. There is no question that surfboard owners are legally entitled to buy Pro Teck fins to replace worn or broken FCS fins. However, Surfco's marketing materials emphasize another purpose for buying Pro Teck fins: safety. Unlike FCS fins, Pro Teck fins have rubber edges to prevent the fins from cutting the user of the surfboard. This feature of Pro Teck fins creates an incentive for surfboard owners to replace unworn FCS fins with the accused device. Surfco and FCS dispute whether such use of Pro Teck fins amounts to a repair or a reconstruction.

The crux of Surfco's argument is that replacement of a single element of a combination designed to be replaced constitutes "repair" regardless of whether the element has been completely spent. This is because, Surfco reasons, the owner of the combination may make improvements to it at his or her discretion to obtain desired results.

Surfco's argument is analytically flawed. The cases Surfco cites in support of its position do not hold that the requirement of "spentness" is irrelevant in determining whether there is a repair. *See Kendall Co. v. Progressive Med. Tech., Inc.*, 85 F.3d 1570 (Fed. Cir. 1996); *Sage Prods., Inc. v. Devon Indus., Inc.*, 45 F.3d 1575 (Fed. Cir. 1995); *Everpure, Inc. v. Cuno, Inc.*, 875 F.2d 300 (Fed. Cir. 1989). The component being replaced in each case was spent or worn in some fashion. In *Kendall*, the component was a sleeve used in a medical device for applying compressive pressure to a patient's limbs. The court held that the sleeves were "spent" after coming into contact with a patient. The replaceable component in *Sage* was a disposable inner container used in a system for disposing sharp medical instruments. The system consisted of an outer enclosure that attached to the wall and an inner container for holding the disposed instruments which needed replacement once it became full. In *Everpure*, the component was a cartridge containing a filter for use in a filtration system.

Surfco points to another similarity between the instant case and *Kendall*, *Sage*, and *Everpure*: in each of those cases, the patent owner intended the disposable component to be replaced. The record indicates that FCS also recognizes the need for replacement of the fins on its surfboards, but there is a critical difference — FCS contemplates "replacement" of fins not only because they are worn or broken, but also for performance reasons. FCS sells fins of different types and sizes for use with its surfboards. It is in this market which Surfco aims to compete. Surfco's product is not intended solely as a replacement of a single-use component as in *Kendall*, or a component that has lost its utility, as in *Everpure* and *Sage*. Rather, Surfco's fins are sold as an alternative to FCS's fins. This is not repair. As a general rule, the replacement of an unworn component of a patented combination is an impermissible reconstruction. *See Miller*

Hatcheries, Inc. v Buckeye Incubator Co., 41 F.2d 619, 621-22 (8th Cir. 1930); *Universal Elecs., Inc. v. Zenith Elecs. Corp.*, 846 F. Supp. 641, 650 (N.D. Ill. 1994).

There is an exception to the rule in special circumstances, but it does not apply here. In *Wilbur-Ellis Co. v. Kuther*, 377 U.S. 422 (1964), the United States Supreme Court found a repair where the owner of a patented fish canning machine resized elements of the machine so it could pack fish into smaller cans. The resizing of the elements was made in the course of restoring corroded elements of the machines to operational condition. The Court determined that the adaptation of the machines for a use not originally contemplated by the patent owner was "kin to repair." *See id.* at 425.

A recent Federal Circuit decision examined the "kin to repair" doctrine. *See Hewlett-Packard Co. v. Repeat-O-Type Stencil Mfg. Corp., Inc.*, 123 F.3d 1445 (Fed. Cir. 1997), *cert. denied*, 523 U.S. 1022 (1998). In Hewlett-Packard, the manufacturer of ink cartridges for use with its own brand of ink jet printers filed suit against a company which purchased unused cartridges, modified them to make them refillable, and resold them. The manufacturer's cartridges were designed to be nonrefillable. The defendant converted them into refillable cartridges by making the cartridge's protective plastic cap removable. This modification, according to the court, was "kin to repair." *See id.* at 1452. The court reasoned that it was not a reconstruction because the defendant was merely extending the life of the reservoir of ink in the cartridge, the useful life of which was substantially shorter than that of the cartridge itself.

Wilbur-Ellis and *Hewlett-Packard* teach that the owner of a patented combination may modify its existing elements to lengthen its useful life. That does not describe what Surfco is doing here. The primary purpose for installing a

Pro Teck fin in a FCS surfboard is not to extend the life of the surfboard. The Pro Teck fin cannot even be considered a modification of an existing element of FCS's patented combination. It is a new element altogether. It is not "kin to repair."

In the absence of any special circumstances, the general rule applies. If the Pro Teck fin is sold as a replacement of an unworn component in FCS surfboards, the repair doctrine is unavailable to Surfco as a defense. There is no question that Surfco sells the Pro Teck fin with the design that they will be used to replace unworn FCS fins. Surfco's marketing materials emphasize the safety and performance features of the Pro Teck fin. In declarations filed in the instant lawsuit, Surfco's president confirmed that Surfco sells Pro Teck fins to surfboard owners so they might replace their existing FCS fins "for any reason," including safety. *See, e.g.*, Skedeleski Decl. of Nov. 2, 1998 3, Exh. "6" to Defs.' Mem. Opp. Moreover, the fact that surfboard owners may buy Pro Teck fins to replace worn FCS fins does not defeat summary judgment. When one sells components of a patented combination that may be used for both legitimate repair as well as infringing purposes, the seller has "the duty of careful investigation into the objects of the purchasers [of the component], and of an abandonment of indifference as to whether they are seeking to trench upon the rights of the owners of the patent . . . ." *Thomson-Houston Elec. Co. v. Kelsey Elec. Ry. Specialty Co.*, 75 F. 1005, 1010 (2d Cir. 1896). The record makes clear that Surfco contemplated the replacement of unworn FCS fins with Pro Teck fins, an act that is neither repair nor kin to repair.

Accordingly, as to the cross-motions for summary judgment based on the repair and reconstruction doctrines, the Court DENIES Surfco's motion and GRANTS FCS's motion.

C. CLAIM INTERPRETATION

Before the Court are cross-motions for summary judgment on the issue of Surfco's liability for patent infringement. Analysis of patent infringement is a two-step process: (1) the patent claims must be construed; and (2) the properly construed claims must be compared to the allegedly infringing device. *See General Mills, Inc. v. Hunt-Wesson, Inc.*, 103 F.3d 978, 981 (Fed. Cir. 1997) (citing *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 976, (Fed. Cir. 1995), *aff'd*, 517 U.S. 370 (1996)). Claim construction is a matter of law. *See Markman*, 517 U.S. at 388. Per Surfco's motion, the Court construes the disputed claims in the '397, '359, and '081 patents.

Claim interpretation begins with the language of the claims. *See Renishaw PLC v. Marposs Societá per Azioni*, 158 F.3d 1243, 1248 (Fed. Cir. 1998). The general rule is that terms in the claim are to be given their ordinary and accustomed meaning. *See Johnson Worldwide Assocs., Inc. v. Zebco Corp.*, 175 F.3d 985, 989 (Fed. Cir. 1999). That is, the ordinary and accustomed meaning of a disputed claim term is presumed to be the correct one, subject to several rules of construction. *See Johnson Worldwide*, 175 F.3d at 989. First, a different meaning clearly and deliberately set forth in the intrinsic materials — the written description or the prosecution history — will control. *See id.* Second, if the ordinary and accustomed meaning of a disputed term renders the claim unclear, then further reference must be made to the intrinsic or extrinsic evidence to ascertain the proper meaning. *See id.* at 990. In either case, a party wishing to alter the meaning of a clear claim term must overcome the presumption that the ordinary and accustomed meaning is the proper one. *See id.* at 989-90.

1. The '397 Patent

The '397 patent contains one independent claim, claim 1. If claim 1 is not infringed, then no other claim in the '397 patent is infringed. Claim 1 of the '397 patent reads:

> A surf craft including a body with a fixing element embedded therein, the fixing element being of material of greater strength than that of the surf craft body and having a fixing aperture therein, said body having a region near said fixing element, a fin attached to the surf craft with an end surface of the fin abutting against the surface of the body in the region of the fixing element, the fin having a coplanar integrally formed fixing formation extending from said end surface and engaged within the aperture of the fixing element, the fixing element including releasable engagement means for locking the fixing formation within said aperture, said releasable engagement means releasably engaging said fixing formation at a location inside said aperture.

At issue are the limitations "a coplanar integrally formed fixing formation extending from said end surface" and a "fixing element being of material of greater strength than that of the surf craft body."

a. "Coplanar"

Claim 1 of the '397 patent states that the "fixing formation" (i.e. the tab) is "coplanar." The parties disagree on the meaning of "coplanar." Surfco contends that the limitation means that the tab is an extension of the sides or lateral surfaces of the fin. So construed, the tabs in the Pro Teck fin are not coplanar because they are indented from the

sides of the fin. FCS disputes this interpretation of "coplanar" on the ground that a curved surface cannot define a plane. Since the sides of the fin in the '397 patent are curved, FCS argues, they cannot define the plane on which the fixing formations must lie. Instead, the plane is located along the major axis of the fin, which is the fin's center. The Pro Teck fin's fixing formations are "coplanar" with the fin under this definition of the term.

The Court turns first to the term's ordinary and accustomed meaning. To be "coplanar" with an object means to be in the same plane in which the object lies. That definition, however, does not help place the location of the plane in question.

Intrinsic evidence is similarly unhelpful in ascertaining the meaning of "coplanar" in the '397 patent. Neither the patent's specification nor its claims define the term. Surfco suggests that the diagram of the fin in the patent does not show a fin with curved sides. In support, Surfco offers the declaration of Ariane Richaud, a professional patent illustrator/draftsman who examined the drawings in the '397 patent. According to Ms. Richaud, a curvature in the sides of the fin would be indicated by shade lines, which are absent from the drawings. This does not suggest that the patent drawings "clearly and deliberately" show the sides of the fin as flat, however. Ms. Richaud's declaration itself states that "it cannot be determined [from the patent drawings] whether the majority of the side surfaces of the surfboard fin illustrated are primarily flat or curved." Richaud Decl. of July 23, 1999 4, Exh. 22 to Pl.'s Reply Mem.

The prosecution history is similarly ambiguous. During the prosecution of the '397 patent, the Patent and Trademark Office ("PTO") rejected the original language of claim 1 as anticipated by another patent for a removable fin

("Beacham"). The patentee filed an amendment rewriting claim 1 to include language that described the fixing formation as a "coplanar integrally formed fixing formation." The fact that the fixing formations were "coplanar" with the fin distinguished the claim from Beacham, in which the fixing formation consisted of flanges extending from the base of the fin. The PTO accepted the claim as amended. Although the coplanar arrangement of the fixing formations in the '397 patent is clearly distinguishable from the flanges in Beacham, this distinction does not help the Court locate the plane with which the fixing formation must be "coplanar."

The Court therefore turns to extrinsic evidence for guidance. In doing so, the Court is mindful that reliance on extrinsic evidence can be improper when the disputed terms can be understood from a careful reading of the patent documents. *See Vitronics Corp. v. Conceptronic, Inc.*, 90 F.3d 1576, 1584 (Fed. Cir. 1996). "In most situations, an analysis of the intrinsic evidence alone will resolve any ambiguity in a disputed claim term." *Id.* at 1583. This case is not such a situation. Where the intrinsic evidence does not aid in determining the meaning of a disputed claim, as here, the court may rely on extrinsic evidence to understand the technology and to construe the claims. *See id.* at 1584 (citing *Markman*, 52 F.3d at 979). A court may "consult trustworthy extrinsic evidence to ensure that the claim construction it is tending to from the patent file is not inconsistent with clearly expressed, plainly apposite, and widely held understandings in the pertinent technical field." *Pitney Bowes, Inc. v. Hewlett-Packard Co.*, 182 F.3d 1298, 1309 (Fed. Cir. 1999). Extrinsic evidence includes expert testimony, inventor testimony, dictionaries, and technical treatises and articles. *See Vitronics*, 90 F.3d at 1584.

Resort to the dictionary definition of "coplanar" is particularly helpful here.[1] Webster's Third New International Dictionary defines "coplanar" as "lying or acting in the same plane." *Webster's Third New International Dictionary* 502 (1976). "Planar" means "1: of or relating to a plane : lying in one plane 2 : having a flat two-dimensional quality." *Id.* at 1730. "Plane" means "(1) : a surface such that the straight line that joins any two of its points lies wholly in that surface: a two dimensional extent of zero curvature : a surface any intersection of which by a like surface is a straight line . . . ." *Id.*

Together, the definitions of these terms lead to the inescapable conclusion that a plane is defined by a flat surface. This proposition comports with foundational principles of geometry, i.e., that a plane is a perfectly flat surface. See F. Eugene Seymour & Paul James Smith, *Plane Geometry* 6 (Rev. ed. 1949). It follows that a curved surface cannot define a plane.

Further extrinsic evidence clarifies the proper definition of a plane with respect to the fins in question. FCS offers the expert opinion of Michael Neff, an expert in the analysis of engineered materials and system/process evaluation.[2] Mr. Neff explains that fins and wings are categorized as "foils." The plane of a foil, such as a fin, is defined by the major axis of the foil. See Neff Supplemental Expert Rep. 6(a), Exh. 5 to Def.'s Mem. Opp. In an injection molded product such as the Pro Teck fin, the major

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[1] The Federal Circuit has approved the use of dictionaries at any time for aid in claim construction, even though they fall within the category of extrinsic evidence, so long as the dictionary definition does not contradict any definition found in or ascertained by a reading of the patent document. *See Vitronics*, 90 F.3d at 1586 n.6.

[2] The Court considers Mr. Neff's supplemental expert report over Surfco's objection that the report was untimely. FCS complied with Rule 26 of the Federal Rules of Civil Procedure in filing the report.

axis is defined by the parting line, or the line at which the surfaces of a 2-piece mold meet. The Court accepts this expert opinion as reliable, and finds it consistent with the language of the patent documents for the '397 patent.[3]

b. "Fixing element being of material of greater strength than that of the surf craft body"

The Court is also asked to construe the limitation in the '397 patent that reads: "fixing element being of material of greater strength than that of the surf craft body." The parties disagree whether the fixing element is constructed of a material that is stronger than that of the surf craft body. Surfco contends that the fixing element is not stronger than the surf craft body, which it defines as including the fibreglass skin of the surfboard.

Again, the Court begins with the language of the limitation. The disputed term is "surf craft body." Although claim 1 of the '397 patent does not define the term, it does make reference to both the "surf craft body" and the "surface of the body."

The other claims in the '397 patent illuminate this distinction. Claim 7 states that the body consists of "plastics foam material." Claim 9 states that the "surf craft body is covered by a skin of fibre-reinforced plastics." A plain reading of these two claims reveals that the "surf craft body" is separate from, and does not include, its "skin." Different words or phrases used in separate claims are presumed to indicate that the claims have different meanings and scope.

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[3] However, the Court rejects Mr. Neff's suggestion that the plane can be defined by the flat surface of the inboard portion of a fin or the set of planes parallel to the plane defined by such flat surface. There is only one plane with which the fixing formation of the fin must be coplanar to fall within the scope of the claim. That is, the fixing formation cannot be coplanar to a "set of planes."

See Karlin Tech., Inc. v. Surgical Dynamics, Inc., 177 F.3d 968, 971-72 (Fed. Cir. 1999) (citing *Comark Communications, Inc. v. Harris Corp.*, 156 F.3d 1182, 1187 (Fed. Cir. 1998)). Deviation from this principle in this case would lead to absurdity, for if the term "surf craft body" in claim 1 referred to both the surf craft's foam core and its skin, claims 7 and 9 would contradict each other.

Surfco argues that the dependent claims in a patent may restrict, but not change, the limitations of the independent claims. Applying this principle, Surfco asserts that since claim 1 — the '397 patent's only independent claim — specifically defines the "surface of the body" as part of the "surf craft body," no dependent claim can change that meaning.

Claim 1 carries no such meaning. First, the fact that the claim modifies the word "surface" with the phrase "of the body" implies that the surface and the body are separate components. Second, as noted, the claim refers separately to the "surf craft body" and the "surface of the body." The two terms are not interchangeable merely because they both appear in the claim. Thus, claim 1 does not define a "surf craft body" to include the "surface of the body." There is no violation of the principle of claim construction that Surfco cites.

Accordingly, the Court finds that the material of the "surf craft body" referred to in claim 1 consists of "plastics foam material," not "fibre-reinforced plastics" material.

2. The '359 and '081 Patents

Surfco moves for interpretation of claim 1 of the '359 patent and claim 1 of the '081 patent. With respect to both patents, the limitation in dispute is that of the "fixing element being of material of greater strength than that of the surf craft

body." This limitation corresponds to the limitation of the same wording in claim 1 of the '397 patent, which is parent to both the '359 and '081 patents. Accordingly, the court will give the limitations the same meaning as it does in the '397 patent. *See Mark I Mktg. Corp. v. Donnelley & Sons Co.*, 66 F.3d 285, 291 (Fed. Cir. 1995), *cert. denied*, 516 U.S. 1115 (1996); *Abtox, Inc. v. Exitron Corp.*, 899 F. Supp. 775, 781 (D. Minn. 1995).

Moreover, the Court will not read the "coplanar integrally formed fixing formation" limitation in the '397 patent into the '359 and '081 patents. Although the '397 patent is the parent of these two patents, the limitation simply does not appear in them.

3. Order Construing Claims

For the reasons set forth above, it is hereby ordered as follows:

a. As to United States Patent 5,328,397, the Court finds:

(i) In claim 1, "a coplanar integrally formed fixing formation extending from said end surface" means a tab [18] that is formed as an integral part of the fin [11]; that extends from the end surface of the fin [11]; and that lies in the same plane as that defined by the major axis of the fin. The major axis is defined by the parting line of the injection molded fin [11], or the line at which the surfaces of the 2-piece mold meet.

(ii) In claim 1, "fixing element being of material of greater strength than that of the surf craft body" means plugs [12] made of a material of greater strength than the surf craft body of plastics foam material.

b. As to United States Patent 5,454,359, the Court finds:

(i) In claim 1, "fixing element being of material of greater strength than that of the surf craft body" means plugs [12] made of a material of greater strength than the surf craft body of plastics foam material.

c. As to United States Patent 5,672,081, the Court finds:

(i) In claim 1, "fixing element being of material of greater strength than that of the surf craft body" means plugs [12] made of a material of greater strength than the surf craft body of plastics foam material.

D. PATENT INFRINGEMENT

Surfco has filed a motion for summary judgment of noninfringement. If Surfco prevails on this motion, it is entitled to the declaratory relief it seeks in this action. Such relief is appropriate only if there is no basis for finding infringement of any of the three patents. Infringement can be direct or indirect. Indirect infringement may occur under the theories of inducement of infringement or contributory infringement. *See* 28 U.S.C. §§ 271(b) & (c). Thus, in order to prevail on its motion for summary judgment, Surfco must be found free of liability under any theory of patent infringement.

In response to Surfco's motion, FCS has moved for summary judgment of infringement as to the '397 and '359 patents. FCS has not moved for summary judgment as to the '081 patent. However, the Court cannot determine whether Surfco is entitled to summary judgment of noninfringement, and declaratory relief, unless it analyzes whether Surfco infringes on the '081 patent.

The court therefore considers sua sponte whether Surfco and FCS are entitled to summary judgment as to the issue of infringement of the '081 patent. A Court may enter summary judgment sua sponte "if there is no genuine dispute respecting a material fact essential to the proof of movant's case . . . ." *O'Keefe v. Van Boening*, 82 F.3d 322, 324 (9th Cir. 1996) (internal quotations and citations omitted). "However, a litigant must be given reasonable notice that the sufficiency of his or her claim will be in issue . . . . *Id.* Reasonable notice "implies adequate time to develop the facts on which the litigant will depend to oppose summary judgment." *Portsmouth Square Inc. v. Shareholders Protective Comm.*, 770 F.2d 866, 869 (9th Cir. 1985).

The Court is satisfied that Surfco has had adequate notice that its activities involving the '081 patent are at issue. Indeed, the issue is inextricable from the Court's adjudication of Surfco's motion for summary judgment of noninfringement. In arguing its motion, Surfco has had ample opportunity to defend against liability for infringement of the '081 patent.

Turning to the merits of the parties' motions, the Court first considers whether there has been direct infringement of the patents. As the seller of an unpatented component of a patented combination, not the combination itself, Surfco cannot be liable for direct infringement. *See Aro*, 365 U.S. at 340. In any event, FCS has not asserted a counterclaim of direct infringement against Surfco.

FCS has, however, counterclaimed for inducement of infringement and contributory infringement of all three patents. The Court now considers these claims.

1. Inducement of Infringement

Title 28 U.S.C. section 271(b) states that "[w]hoever

actively induces infringement of a patent shall be liable as an infringer." 28 U.S.C. § 271(b). "[A] person infringes by actively and knowingly aiding and abetting another's direct infringement." *Water Techs. Corp. v. Calco, Ltd.*, 850 F.2d 660, 668 (Fed. Cir.), *cert. denied*, 488 U.S. 968 (1988). One knowingly induces infringement when one knew or should have known that one's actions would induce actual infringement. *See Hewlett-Packard Co. v. Bausch & Lomb, Inc.*, 909 F.2d 1464, 1469 (Fed. Cir. 1990). Knowing intent may be inferred from all of the circumstances. *See Water Techs.*, 850 F.2d at 668-69.

The initial question is whether Surfco's customers engage in direct infringement of the '397, '359, and '081 patents. Literal infringement is a form of direct infringement. Literal infringement occurs when every element of a patent claim reads onto the accused device. The application of a properly construed claim to an accused device is a question of fact. *See CVI/Beta Ventures, Inc. v. Tura LP*, 112 F.3d 1146, 1152 (Fed. Cir. 1997). Summary judgment on the issue of literal infringement is proper, however, when no genuine issue of material fact exists. *See Bai v. L&L Wings, Inc.*, 160 F.3d 1350, 1353 (Fed. Cir. 1998). That is, summary judgment of literal infringement is proper if "no reasonable jury could find that every limitation recited in the properly construed claim either is or is not found in the accused device." *Id.*

The parties have not raised a genuine issue of fact as to the structure of the Pro Teck fin. The fin has two lateral surfaces and an end surface. It is designed to be inserted into the plugs in a FCS surfboard by way of two or more tabs which extend from the end surface of the fin, and which are integrally formed with the fin. The fin is secured by grub screws provided by FCS.

Given these facts, the Court finds that every element of claim 1 of the '397 patent is present when a Pro Teck fin is installed in a FCS surfboard. The tabs of the Pro Teck fin lie within the same plane as that defined by the fin's major axis. The tabs thus constitute "coplanar integrally formed fixing formation[s]." Furthermore, the plugs on a FCS surfboard into which the Pro Teck fin is inserted is of greater strength" than the foam plastics material constituting the "'surf craft body." Thus, the installation of a Pro Teck fin on a FCS surfboard is a literal infringement of the '397 patent.

The same result obtains with respect to the '359 and '081 patents. Every element of claim 1 of the '359 and claim 1 of the '081 patent is present when a Pro Teck fin is installed on a FCS surfboard having the number of fixing elements described in the respective patent.

The next question is whether Surfco "actively and knowingly" aided and abetted its customers in such infringement. Surfco possessed the requisite intent for a finding of infringement by inducement. It was aware that the FCS Fin Control System existed before it began manufacturing Pro Teck fins. Indeed, Surfco admits that the Pro Teck fin was designed specifically for use with FCS surfboards. Surfco has marketed and advertised the Pro Teck fin as compatible for use in the FCS Fin Control System. The record is clear that Surfco actively and knowingly induced infringement.

The Court finds that Surfco is liable for inducement of infringement of all three patents.

2. Contributory Infringement

Under section 271(c), a person is liable for contributory infringement if he or she (1) sells a component of a patented combination constituting a material part of the invention, (2)

knowing that the component will be used in a way that infringes on the patent, and (3) the component is not a staple article or commodity of commerce suitable for substantial noninfringing use. *See* 28 U.S.C. § 271(c).

There is no question that Surfco sells a material component of the combination patented by FCS, namely the fin. The requisite intent is also present, as evident from the analysis of inducement of infringement above. The presence of direct infringement has been examined, and determined to be present.

The only question remaining is whether the Pro Teck fin is a staple article or a commodity of commerce suitable for substantial noninfringing use. The Pro Teck fin was designed specifically for use with the FCS Fin Control System. Surfco does not allege otherwise. There is no other use for the Pro Teck fin. Thus, it cannot be considered a staple article suitable for substantial noninfringing use.

The Court finds that Surfco is liable under section 271(c) for contributory infringement of all three patents.

Accordingly, the Court DENIES Surfco's motion for summary judgment of noninfringement and GRANTS FCS's motion for partial summary judgment of inducement of infringement and contributory infringement of the '397 and '359 patents. In addition, the Court sua sponte GRANTS summary judgment against Surfco on the issue of its liability for indirect infringement of the '081 patent.

E. SEPARATION OF TRIAL

Surfco moves for separation of trial as to the issues of liability and damages. Since all issues of liability have been resolved by summary judgment, the Court DENIES the motion as moot.

III. CONCLUSION

For the foregoing reasons, the Court (1) DENIES Surfco's motion for summary judgment and GRANTS FCS's cross-motion for summary judgment based on the repair/reconstruction doctrine; (2) GRANTS Surfco's motion for claim interpretation and interprets the disputed limitations in the '397, '359, and '081 patents as set forth above in Section II.C.3. of this Order; (3) DENIES Surfco's motion for summary judgment of noninfringement and GRANTS FCS's motion for partial summary judgment of inducement of infringement and contributory infringement of the '397 and '359 patents; (4) sua sponte GRANTS summary judgment against Surfco for indirect infringement of the '081 patent; and (5) DENIES Surfco's motion for separation of trial as moot.

IT IS SO ORDERED.

Dated: Honolulu, Hawaii, February 2, 2000.

SAMUEL P. KING
UNITED STATES DISTRICT JUDGE

APPENDIX B

CASE NO. 00-1356

IN THE COURT OF APPEALS

FOR THE FEDERAL CIRCUIT

SURFCO HAWAII,

Plaintiff-Appellant,

v.

FIN CONTROL SYSTEMS PTY, LIMITED,

Defendant-Appellee,

Decided: September 5, 2001

Before MAYER, *Chief Judge*, NEWMAN and RADER, *Circuit Judges*.

NEWMAN, *Circuit Judge*.

Surfco Hawaii appeals the judgment of the United States District Court for the District of Hawaii holding Surfco liable for infringement of Fin Control Systems' United States Patents No. 5,328,397 (issued Jul. 12, 1994), No. 5,464,359 (issued Nov. 7, 1995), and No. 5,672,081 (issued Sep. 30, 1997).[1] We conclude that Surfco's activities are a permissible modification of the patented surf craft, and reverse the judgment of infringement.

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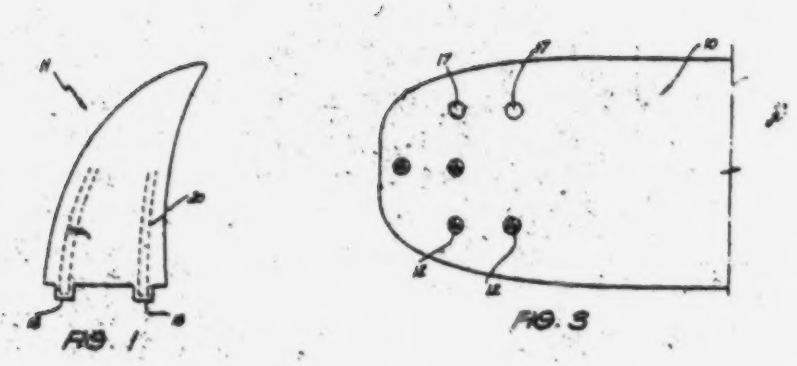
[1] Surfco Hawaii v. Fin Control Systems, Ltd., No. 98-00598SPK (D. Haw. Feb. 2, 2000).

BACKGROUND

The patents in suit are directed to surf craft having releasable fins, and particularly to the structure and mechanism whereby the fin is releasably engaged within the body of the surf craft. Claim 1 of the '397 patent is representative:

> 1. A surf craft including a body with a fixing element embedded therein, the fixing element being of material of greater strength than that of the surf craft body and having a fixing aperture therein, said body having a region near said fixing element, a fin attached to the surf craft with an end surface of the fin abutting against the surface of the body in the region of the fixing element, the fin having a coplanar integrally formed fixing formation extending from said end surface and engaged within the aperture of the fixing element, the fixing element including releasable engagement means for locking the fixing formation within said aperture, said releasable engagement means releasably engaging said fixing formation at a location inside said aperture.

As illustrated in Figures 1 and 3 of the patents, a fin **11** is attached to the surf craft body **10** via tabs **18** that are inserted into fixing elements **12** in the body of the surfboard and secured by grub screws.



Surfco manufactures fins that are specifically fitted for use with the Fin Control Systems surfboard. The Surfco fins differ from the Fin Control fins only in that the Surfco fins incorporate rubber edges as a safety feature; the Surfco fins have the brand name "Pro Teck." The Surfco fins have tabs which fit the fixing elements of the Fin Control surfboards, and are designed to be secured by the Fin Control grub screws.

In this declaratory action, Surfco moved for summary judgment of noninfringement on the ground that the replacement of the unpatented fins of the Fin Control surf craft was akin to the permissible "repair" of a patented device after it had been placed in commerce by the patentee. Fin Control moved for summary judgment on the ground that the sale and use of replacement fins for the patented surf craft is not permissible "repair" because "the replaced FCS fins were in good working condition and did not need to be replaced." The district court granted Fin Control's motion, ruling that the repair doctrine did not permit the accused activity, and held Surfco liable for contributory infringement and inducing infringement of the Fin Control patents. This appeal followed.

DISCUSSION

Summary judgment is appropriate when there is no

genuine issue of material fact and the moving party is entitled to judgment as a matter of law, Fed. R. Civ. P. 56(c), or when, drawing all factual inferences in favor of the nonmoving party, no "reasonable jury could return a verdict for the nonmoving party." *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986). We give plenary review to the district court's grant of summary judgment. *EMI Group N. Am. Inc. v. Intel Corp.*, 157 F.3d 887, 891, 48 USPQ2d 1181, 1184 (Fed. Cir. 1998).

In ruling that replacement of unworn Fin Control fins with the Surfco fins produced an infringing surf craft, the district court stated:

> Of significance in this case is how the accused device is used. There is no question that surfboard owners are legally entitled to buy Pro Teck fins to replace worn or broken Fin Control fins. However, Surfco's marketing materials emphasize another purpose for buying Pro Teck fins: safety. Unlike Fin Control fins, Pro Teck fins have rubber edges to prevent the fins from cutting the user of the surfboard. This feature of Pro Teck fins creates an incentive for surfboard owners to replace unworn Fin Control fins with the accused device.

In essence, the district court held that the replacement of unworn fins with other fins created a new and infringing device. Surfco argues that the court's application of the law of "repair and reconstruction" is incorrect, and that the replacement of unpatented parts of a patented device is permitted, whether or not the parts are worn or broken.

As discussed in *Jazz Photo Corp. v. United States Int'l Trade Comm'n*, 2001 WL 945930 (Fed. Cir. Aug. 21, 2001), the terms "repair" and "reconstruction" are used to define the

boundary between permitted and prohibited activities with respect to patented items after they have been placed in commerce. Originating in the principle of exhaustion of the patent right after first sale, the general rule is that "while the ownership of a patented article does not include the right to create a substantially new article, it does include the right to preserve the useful life of the original article." *Id.* at *4. Precedent has elaborated on the right of the owner to replace unpatented components, provided that the activity is not such as to make a new article. In *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 365 U.S. 336 (1961) the Court stated the controlling inquiry governing the replacement of unpatented parts of a patented article:

> reconstruction of a patented entity, comprised of unpatented elements, is limited to such a true reconstruction of the entity as to "in fact make a new article," after the entity, viewed as a whole, has become spent. . . . Mere replacement of individual unpatented parts, one at a time, whether of the sane part repeatedly or different parts successively, is no more than the lawful right of the owner to repair his property.

Id. at 346 (citations omitted).

As illustrated in *Aro Manufacturing*, and as acknowledged by the district court, the concept of permissible "repair" is directed primarily to the replacement of broken or worn parts. However, permissible "repair" also includes replacement of parts that are neither broken nor worn. When a device or substantial parts thereof are not reconstructed, or a condition of sale is not violated, the law does not prevent the purchaser of a patented device from prematurely replacing an unpatented part. *See Kendall Co. v. Progressive Medical Technology, Inc.*, 85 F.3d 1570, 38 USPQ2d 1917 (Fed. Cir. 1996) (replacement of the

unpatented sleeves of a patented medical device, before the sleeves were spent, was of the nature of repair, not reconstruction). "Premature repair is the business of the purchaser of the product, who owns it, rather than the patentee, who sold it." *Id.* at 1575, 38 USPQ2d at 1921.

Precedent amply supports the right of a purchaser of a patented device to do more than simply replace spent or broken parts. *See, e.g., Wilbur-Ellis Co. v. Kuther*, 377 U.S. 422, 425, 141 USPQ 703, 704-05 (1964) ("Petitioners in adapting the old machines to a related use were doing more than repair in the customary sense; but what they did was kin to repair for it bore on the useful capacity of the old combination, on which the royalty had been paid."); *Hewlett-Packard Co. v. Repeat-O-Type Stencil Mfg. Corp.*, 123 F.3d 1445, 1452, 43 USPQ2d 1650, 1657 (Fed. Cir. 1997) ("ROT's modification of the original HP cartridges improved their usefulness by allowing ROT and its customers to use them for their own purposes. It was 'kin to repair.'").

Fin Control argues that while precedent permits the owner of a patented device to modify its component parts to extend the useful life of the device, it does not permit the owner to change entirely an important part of the device, even for reasons of safety. However, the right to replace or modify a part of a patented device does not require that the part be spent or broken. Infringement liability depends on the extent of the change, not its purpose. *See Mitchell v. Hawley*, 83 U.S. (16 Wall.) 544, 548 (1872) (when the sale of a patented article "is absolute, and without any conditions, the rule is well settled that the purchaser may continue to use the implement or machine purchased until it is worn out, or he may repair it or improve upon it as he pleases, in [the] same manner as if dealing with property of any other kind."). The right of "repair" follows from the exhaustion of a patentee's right to control the disposition of a patented article after it has been sold. The owner may use, repair, and

modify the device as long as there is not "reconstruction of the entity as to 'in fact make a new article.'" *Aro Manufacturing*, 365 U.S. at 346. Although extension of the useful life of an article is the usual reason for modification or replacement of component parts, it is not the only reason allowed by law. Thus the purchaser of a Fin Control surfboard may choose to replace the fins, although the original unpatented fins are not broken or spent, without incurring liability for patent infringement. The patented surf craft is not "recreated" by the substitution of a different set of fins, even when the new fins are specifically adapted for use in the patented combination. As a matter of law, on the undisputed facts, the patent is not infringed by the modified surf craft having the Surfco fins. Thus Surfco's sale of replacement fins does not constitute inducement of infringement or contributory infringement.

Conclusion

The summary judgment in favor of Fin Control is reversed, and the injunction vacated. Summary judgment in favor of Surfco is granted, as a matter of law.

Surfco's appeal of the district court's claim construction is mooted, and has not been considered.

No costs.

REVERSED